

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC)	
CORPORATION FOR APPROVAL TO ISSUE)	Case No.
EVIDENCES OF INDEBTEDNESS)	2012-00119

COMMISSION STAFF'S FIRST INFORMATION REQUEST
TO BIG RIVERS ELECTRIC CORPORATION

Big Rivers Electric Corporation ("Big Rivers"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before April 23, 2012. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Big Rivers shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Big Rivers fails or refuses to furnish all or part of the requested information, it shall

provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the application, page 5, paragraph 13 (ii), which states that “\$60 million will be used for capital expenditures, in the ordinary course of business.” Provide Big Rivers’ three or five year capital expenditures forecast.

2. Refer to Big Rivers’ application, page 5, paragraph 13.(iii), which states, “\$35 million will be used to replenish the Transition Reserve, that was prepaid on the RUS Note on April 1, 2011.” Also on page 5, paragraph 14 states that “Big Rivers will pay \$140 million of the proposed CoBank Term Loan, \$302 million of the proposed CFC Term Loan, plus the \$35 million RUS Note prepaid status that resulted from the April 1, 2011, payment of the Transition Reserve to reduce the Maximum Debt Balance on the RUS Note by \$477 million on the closing date, from \$561,603,000 to \$84,603,000.” Explain whether the \$35 million will be used to replenish the Transition Reserve account or to reduce the balance of the 5.75 percent Rural Utilities Services (“RUS”) Note dated July 16, 2009 (“RUS Note”).

3. Refer to the application, page 5, paragraph 14.

a. Paragraph 14 states that the Maximum Debt Balance on the RUS Note will be reduced by \$477 million on the closing date, from \$561,603,000 to \$84,603,000. Page 12 of the Testimony of Mark A. Hite (“Hite Testimony”), lines 12 through 15, states that “[w]e estimate that the outstanding balance on the RUS Note just

prior to the proposed financing transactions closing date of June 29, 2012, will be \$526,603,000.” Explain the difference between the \$561,603,000 RUS Note balance mentioned in paragraph 14 and the \$526,603,000 balance referenced in the Hite Testimony.

b. Starting at line 19, paragraph 14 states that “...the present value benefit resulting from these transactions, discounted at 5.75 percent, is estimated at \$28,559,298.” The discount rate of 5.75 percent equals the interest rate on the current RUS Note. Explain how it was determined that the 5.75 percent was reasonable for use in the net present value calculation.

4. Confirm that after June 29, 2012, which is the proposed closing date for the transactions described in the application, Big Rivers’ liabilities will increase by a total amount of \$103,155,800, of which \$60,000,000 is the amount to be used for capital expenditures in the ordinary course of business plus \$43,155,800, which is the amount to be used to finance the National Rural Utilities Cooperative Finance Corporation (“CFC”) Capital Term Certificates. If no, explain.

5. Refer to the Hite Testimony, page 6, lines 15-16 wherein Mr. Hite states that the all-in effective interest rate on the new CoBank Term Loan is expected to be approximately 4.24 percent. Also, on page 10, lines 18-19, Mr. Hite states that the all-in effective interest rate on the new CFC Secured Loan Agreement is expected to be approximately 4.76 percent.

a. Explain why Big Rivers is not proposing to refinance the remaining \$84,603,000 of the 5.75 percent RUS Note dated July 16, 2009.

b. Provide the calculation of the 4.24 percent CoBank Term Loan interest rate.

c. Provide the calculation of the 4.76 percent CFC Loan interest rate or state how it can be calculated by using the amounts provided in Exhibit H of the application.

6. Provide a schedule showing the following:

a. A listing of both the existing financing and the proposed financing down the left side of the schedule.

b. In the second column show the current balances of the existing financing instruments.

c. In the third, fourth and fifth columns show the amounts of the proposed financing along with how the proposed funds will be used. For example, for the CoBank Term Loan column, \$235 million, (\$140) million used to reduce the RUS Note would be shown and the (\$35) million used to replenish the Transition Reserve would all be shown in column 3. Columns 4 and 5 would show the effects of the CoBank Revolver and the CFC Loan with column 5 showing the loan balances.

d. Include the effects of the interest-bearing Capital Term Certificates from CFC and the CFC Equity Loan in the amount of \$43,155,800. Include the projected interest rate for the Capital Term Certificates.

e. Using the current existing interest rates along with the anticipated all-in effective interest rates, show the difference in annual interest expense before and after the proposed refinancing.

f. Show any net change in Big Rivers' liabilities before and after the proposed refinancing.

7. Refer to the Hite Testimony, page 13, lines 3 through 6, which state that "Big Rivers is obligated to make payments to RUS on the RUS Note of \$60 million by

October 1, 2012 and to make another payment on the RUS Note of \$200 million by January 1, 2016.” Confirm the \$60 million and the \$200 million payments are principal payments.

8. Refer to the Hite Testimony, page 17, lines 14 through 17, which state “[a]t the next meeting of the Big Rivers Board, which currently is scheduled for April 20, 2012, Big Rivers will obtain the comprehensive Board resolution authorizing it to restructure its finances in the manner contemplated.” When available, provide a copy of the resolution authorizing the restructuring of the financing as contemplated in this proceeding.

9. Refer to Exhibit 12 of the application, the CFC Loan Agreement, page 16. Provide an explanation of paragraph K and its relation to the CFC Equity Loan of \$43,155,800 which, as stated on page 4 of the application, was calculated by multiplying 14.29 percent by the \$302,000,000 Refinance Note.

10. Refer to the Hite Testimony, Exhibit E. Confirm that this exhibit does not include the cash flow effects of the \$60,000,000 and \$35,000,000 borrowing from CoBank for capital expenditures in the ordinary course of business and for the replenishing of the Transition Reserve, respectively. If this cannot be confirmed, explain. Provide a revised Exhibit E showing the effects of the additional \$95,000,000 borrowing from CoBank.

11. Refer to the Hite Testimony, Exhibits E and F. Exhibit E provides the cash outflow for \$140,000,000 of the CoBank Term Loan to be \$208,891,510. Explain where this amount can be found on Exhibit F, page 1 of 3, which is an amortization schedule for \$140,000,000 of the CoBank Term Loan.

12. Refer to the Hite Testimony, Exhibit F. Explain the columns between the "Debt Service" and "Ending Balance" columns.

13. Refer to the Hite Testimony, Exhibit H. Provide an explanation of how the information contained in each column is calculated along with the rationale or the support for the calculations.

14. Provide a copy of Exhibits E, F, G, H and I in electronic format with formulae intact and unprotected.

15. Refer to the Hite Testimony, Exhibit Hite-3, page 1 of 3, in Case No. 2012-00063.¹

a. Reconcile the amount in the statement "CoBank/CFC debt issue (\$527 million)" with the amounts in paragraph 8 of the application in this proceeding where it states "Big Rivers proposes to borrow \$235 million from CoBank" and paragraph 10 where it states "Big Rivers proposes to borrow \$302 million from the National Rural Utilities Cooperative Finance Corporation."

b. Reconcile the amount in the statement "used to retire \$467 million of RUS Series A Note April 2012 and fund capital expenditures" with the amount in paragraph 13(i) of the application in this proceeding where it states "\$442 million will be prepaid on the 5.75% RUS Notes".

DATED APR 11 2012

cc: Parties of Record


Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
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¹ Case No. 2012-00063, Application of Big Rivers Electric Corporation for Approval of Its 2012 Environmental Compliance Plan, for Approval of its Amended Environmental Cost Recovery Surcharge Tariff, for Certificate of Public Convenience and Necessity and for Authority to Establish a Regulatory Account (filed Apr. 2, 2012).

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